

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature	Printed Name		License Number	

HARTLAND TOWNSHIP

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED MARCH 31, 2007

HARTLAND TOWNSHIP

TOWNSHIP OFFICIALS

Supervisor - Donald Rhodes
Clerk - Ann Ulrich
Treasurer - Kathleen Horning

TOWNSHIP BOARD

Joseph Colainne
Kathleen Horning
Bill Fountain
Larry Hopkins
Donald Rhodes
Ann Ulrich
Joseph Petrucci

TOWNSHIP ATTORNEY

Foster, Swift, Collins & Smith, P.C.

TOWNSHIP AUDITORS

Pfeffer, Hanniford & Palka
Certified Public Accountants

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PFEFFER • HANNIFORD • PALKA
Certified Public Accountants

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July 8, 2007

Board of Trustees
Hartland Township
3191 Hartland Road
Hartland, Michigan 48029

INDEPENDENT AUDITORS' REPORT

Honorable Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hartland Township, as of and for the year ended March 31, 2007, which collectively comprise the Hartland Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Hartland Township's management. Our responsibility is to express opinions on these financials statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hartland Township, as of March 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and other required supplementary information on pages 8 through 13 and 42 through 43 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hartland Township's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information, such as the combining and individual fund statements, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Pfeffer, Hanniford & Palka, P.C.

PFEFFER, HANNIFORD & PALKA
Certified Public Accountants

MANAGEMENT DISCUSSION
AND
ANALYSIS

Management Discussion and Analysis March 31, 2007

Within this section of Hartland Township's annual financial report, the Township's management is providing a narrative discussion and analysis of the financial activities of the Township for the fiscal year ended March 31, 2007. This narrative discusses and analyzes the activity within the context of the accompanying financial statements and disclosures following this section. The discussion focuses on the Township's primary government and, unless otherwise noted, component units reported separately from the primary government are not included.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the Township's basic financial statements. The basic financial statements include government-wide financial statements, fund financial statements, and notes to the financial statements. The Township also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

The Township's annual reports include two government-wide financial statements. These statements provide both long-term and short-term information about the Township's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the Statement of Net Assets. This is the Township-wide statement of position presenting information that includes all the Township's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township as a whole is improving or deteriorating. Evaluation of the overall health of the Township may extend to various non-financial factors as well.

The second government-wide statement is the Statement of Activities which reports how the Township's net assets changed during the current fiscal year. The design of this statement is to show the financial reliance of the Township's distinct activities or functions on the revenues generated by the Township.

Both government-wide financial statements distinguish governmental activities of the Township that are principally supported by taxes and revenue sharing, and from the business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include such activities as general government, public safety, and planning and zoning departments. Business-type activities include water & sewer system operations. Fiduciary activities such as tax collection are not included in the government-wide statements since these assets are not available to fund Township programs.

The Township's financial reporting includes all the funds of the Township (primary government) and, additionally, organizations for which the Township is accountable (component units).

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Township uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Township's most significant funds rather than the Township as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the combining statements later in this report.

The Township has three kinds of funds:

Governmental funds are reported in the financial statements and encompass essentially the same functions as governmental activities in the government-wide financial statements except with a different focus on the financial activity. These statements report short-term fiscal accountability focusing on the use of available resources and balances of these resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term. Since the focus of the government-wide financial statements includes a long-term view, a reconciliation of these fund balances has been completed to detail its relation to net assets.

Proprietary funds are reported in the fund financial statements and are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Fiduciary funds are reported in the fiduciary fund financial statements, but are excluded from the government-wide statements. Fiduciary fund financial statements report resources that are not available to fund Township activities.

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of both the government-wide and fund financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Other supplementary information includes detail by fund for receivables, payables, transfers, and payments within the reporting entity.

Major funds are reported in the basic financial statements as discussed. Combining and individual statements and statements for individual fund activity are presented in a subsequent section of this report.

The Township as a Whole - Government-Wide Financial Analysis

The Township's net assets at the end of the fiscal year were \$19,647,751. This is a \$12,600,898 decrease over last year's net assets of \$32,248,649.

The following tables provide a summary of the Township's financial activities and changes in net assets:

Summary of Net Assets

	Governmental Activities		Business-type Activities		Totals	
	3/31/2007	3/31/2006	3/31/2007	3/31/2006	3/31/2007	3/31/2006
Current and other assets	\$ 7,438,864	\$ 5,834,103	\$ 35,501,781	\$ 38,955,620	\$ 42,940,645	\$ 44,789,723
Capital assets	3,809,920	3,279,132	9,511,350	19,583,670	13,321,270	22,862,802
Total assets	11,248,784	9,113,235	45,013,131	58,539,290	56,261,915	67,652,525
Other liabilities	395,929	209,587	2,707,837	216,375	3,103,766	425,962
Long-term liabilities	2,429,957	1,277,473	31,080,441	33,700,441	33,510,398	34,977,914
Total liabilities	2,825,886	1,487,060	33,788,278	33,916,816	36,614,164	35,403,876
Net assets:						
Invested in capital assets, net of related debt	1,208,214	2,054,157	2,586,350	7,583,229	3,794,564	9,637,386
Unrestricted	7,214,684	5,572,018	8,638,503	17,039,245	15,853,187	22,611,263
Total net assets	\$ 8,422,898	\$ 7,626,175	\$ 11,224,853	\$ 24,622,474	\$ 19,647,751	\$ 32,248,649

Summary of Changes in Activities

	Governmental Activities		Business-type Activities		Totals	
	3/31/2007	3/31/2006	3/31/2007	3/31/2006	3/31/2007	3/31/2006
REVENUES						
Program revenues						
Charges for services	\$ 316,984	\$ 289,027	\$ 821,095	\$ 833,746	\$ 1,138,079	\$ 1,122,773
Operating contributions	6,135	67,804			6,135	67,804
Capital contributions	23,774		2,468,275	12,928,368	2,492,049	12,928,368
General revenues						
State shared revenues	747,783	761,356			747,783	761,356
Property taxes	1,767,031	1,617,148			1,767,031	1,617,148
Interest income	336,432	178,286	1,469,044	968,283	1,805,476	1,146,569
Transfers		100,000		(100,000)		
Other	132,582	134,358	39,650	43,950	172,232	178,308
Loss on disposal of assets			(9,593,449)		(9,593,449)	
Total revenues	<u>3,330,721</u>	<u>3,147,979</u>	<u>(4,795,385)</u>	<u>14,674,347</u>	<u>(1,464,664)</u>	<u>17,822,326</u>
EXPENSES						
General government	1,330,605	1,248,352			1,330,605	1,248,352
Public safety	951,164	1,076,406			951,164	1,076,406
Parks and recreation	15,937	19,568			15,937	19,568
Public works	112,216	140,169			112,216	140,169
Community development	19,800	20,227			19,800	20,227
Cemetery	18,931	19,062			18,931	19,062
Interest on governmental long-term debt	85,345	62,412			85,345	62,412
Water system			759,207	764,907	759,207	764,907
Sewer system			7,843,029	12,904,915	7,843,029	12,904,915
Total expenses	<u>2,533,998</u>	<u>2,586,196</u>	<u>8,602,236</u>	<u>13,669,822</u>	<u>11,136,234</u>	<u>16,256,018</u>
Change in net assets	796,723	561,783	(13,397,621)	1,004,525	(12,600,898)	1,566,308
Beginning net assets	7,626,175	7,096,537	24,622,474	23,617,949	32,248,649	30,714,486
Prior period adjustment		(32,145)				(32,145)
Ending net assets	<u>\$ 8,422,898</u>	<u>\$ 7,626,175</u>	<u>\$ 11,224,853</u>	<u>\$ 24,622,474</u>	<u>\$ 19,647,751</u>	<u>\$ 32,248,649</u>

The overall financial status of the governmental funds improved by an increase of net assets of \$796,723 for the year ended March 31, 2007. The large increase net assets is due to improved economic conditions and unspent loan proceeds of \$1,500,000.

The business-type funds decreased its net assets by \$13,397,621 for the year ended March 31, 2007. This decrease is primarily due to construction costs associated with connecting to Genesee County's treatment system and the loss created from the existing system becoming idle equipment. The system is no longer being used and is expected to be demolished within the next fiscal year.

Financial Analysis of the Township's Funds

The Township has determined it had two major governmental funds for the year ended March 31, 2007. These funds are the General Fund and the Fire Operating Fund.

The General Fund's fund balance increased by \$369,437. This substantial increase from the prior year is primarily due to an operating transfer from the Public Improvement Revolving fund to cover a portion of the construction costs related to the new township hall.

The other major governmental fund, the Fire Operating Fund, increased \$345,355. The expenditures in this fund fluctuates with the Hartland Deerfield Fire Authority's approved budget, and was a reduction from the previous year. Therefore, this funds monetary health is dependent on the needs of the Authority.

The Township has determined it had two major business-type funds for the year ended March 31, 2007. These funds included the Water System Fund and the Sewage Disposal System Fund.

The Water System Fund's net assets increased by \$62,444. This is an improvement from the prior fiscal years' performances due to large connection fees received for its new users. Operating losses remain, and are likely to continue until new users can be added to the system.

The Sewage Disposal System Fund decreased its net assets by \$13,460,065. The Township spent \$5,461,791 in order to connect to Genesee County's system. This system is not owned by Hartland Township and will be expensed as it is incurred. During March 2007 the Township began to solely use Genesee County's system for its sewage treatment, and subsequently showed a loss on the disposal of its existing system totaling \$9,593,449. The system is now idle and will likely incur disposal costs in the next fiscal year.

General Fund Budgetary Highlights

The General Fund's budget was adopted prior to the start of the fiscal year ended March 31, 2007. However, several amendments were made during the year to bring it closer to economic reality. The General Fund exceeded budgeted appropriations in the Clerk, Planning and Zoning, and Roads activities.

Capital Asset and Debt Administration

The Township acquired \$627,174 of new capital assets for its governmental funds. Included in this figure were acquisitions related to the construction costs for a new Township hall, voting equipment, and emergency equipment.

No new capital assets were purchased for the business-type funds, but there was \$478,871 of depreciation for the existing systems. The idle sewage treatment system created a loss on the disposal of the asset totaling \$9,593,449.

The governmental funds issued \$1,500,00 of new debt during the fiscal year to the finance a portion of the construction costs related to the new township hall, and paid \$123,269 of principal to reduce the mortgages on the township and fire halls.

The business-type funds issued no new debt during the year, but paid \$905,000 of principal to reduce the existing debt.

Economic Conditions and Future Activities

The Township expects to incur significant expenditures as it completes its new Township hall since the debt issued will not cover the entire amount of the project costs.

The Township expects to complete the project of connecting to Genesee County's sewage treatment system within the next fiscal year. Outstanding debt related to this project exceeds the assessments to repay the bonds. The Township anticipates that connection fees received will cover this shortfall, but will be evaluating alternative measures to ensure it will be able to meet its debt requirements.

Contacting the Township's Financial Management

This report is designed to provide a general overview of the Township's financial position and comply with finance-related regulations. If you have any further questions about this report or to request additional information please contact Hartland Township at 3191 Hartland Road, Hartland, Michigan 48029.

BASIC FINANCIAL STATEMENTS

GOVERNMENT - WIDE
FINANCIAL
STATEMENTS

HARTLAND TOWNSHIP
STATEMENT OF NET ASSETS
MARCH 31, 2007

	PRIMARY GOVERNMENT		
	Governmental	Business-Type	
	Activities	Activities	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 7,012,816	\$ 2,128,831	\$ 9,141,647
Cash and cash equivalents - restricted		7,391,916	7,391,916
Receivables			
Taxes	121,929		121,929
State shared revenues	122,814		122,814
Special assessments		21,589,450	21,589,450
Interest	9,544		9,544
Accounts	124,910	1,824,649	1,949,559
Intergovernmental	46,851	8,318	55,169
County construction		2,278,542	2,278,542
Inventory		32,345	32,345
Debt issuance costs, net of amortization		247,730	247,730
Capital assets - net of depreciation	<u>3,809,920</u>	<u>9,511,350</u>	<u>13,321,270</u>
Total assets	<u>11,248,784</u>	<u>45,013,131</u>	<u>56,261,915</u>
<u>LIABILITIES</u>			
Accounts payable	144,476	860,957	1,005,433
Accrued wages/taxes	24,622		24,622
Accrued interest payable		131,880	131,880
Compliance reserve	55,082		55,082
Contracts/bonds payable			
Current	171,749	1,715,000	1,886,749
Non-current	<u>2,429,957</u>	<u>31,080,441</u>	<u>33,510,398</u>
Total liabilities	<u>2,825,886</u>	<u>33,788,278</u>	<u>36,614,164</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	1,208,214	2,586,350	3,794,564
Unrestricted	<u>7,214,684</u>	<u>8,638,503</u>	<u>15,853,187</u>
Total net assets	<u>\$ 8,422,898</u>	<u>\$ 11,224,853</u>	<u>\$ 19,647,751</u>

The accompanying notes are an integral part of these financial statements

HARTLAND TOWNSHIP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2007

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Programs Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities				
General government	\$ (1,330,605)	\$ 313,124	\$	\$ 23,774
Parks and recreation	(15,937)			
Police protection	(136,927)		6,135	
Fire protection	(814,237)			
Cemetery	(18,931)	3,860		
Community development	(19,800)			
Public works	(31,443)			
Road improvements	(80,773)			
Interest on long-term debt	(85,345)			
Total governmental activities	<u>(2,533,998)</u>	<u>316,984</u>	<u>6,135</u>	<u>23,774</u>
Business-type activities				
Water system	(759,207)	252,775		127,400
Sewer system	<u>(7,843,029)</u>	<u>568,320</u>		<u>2,340,875</u>
Total business-type activities	<u>(8,602,236)</u>	<u>821,095</u>		<u>2,468,275</u>
Total	<u>\$ (11,136,234)</u>	<u>\$ 1,138,079</u>	<u>\$ 6,135</u>	<u>\$ 2,492,049</u>

General revenues
Property taxes
State shared revenues
Interest income
Franchise fees
Rental income
Other income
Loss on disposal of assets

Total general revenues

Changes in net assets

Net assets, April 1, 2006

Net assets, March 31, 2007

The accompanying notes are an integral part of these financial statements

Net (Expenses) Revenue and Changes
Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (993,707)	\$	\$ (993,707)
(15,937)		(15,937)
(130,792)		(130,792)
(814,237)		(814,237)
(15,071)		(15,071)
(19,800)		(19,800)
(31,443)		(31,443)
(80,773)		(80,773)
<u>(85,345)</u>		<u>(85,345)</u>
<u>(2,187,105)</u>		<u>(2,187,105)</u>
	(379,032)	(379,032)
	<u>(4,933,834)</u>	<u>(4,933,834)</u>
	(5,312,866)	(5,312,866)
<u>(2,187,105)</u>	<u>(5,312,866)</u>	<u>(7,499,971)</u>
1,767,031		1,767,031
747,783		747,783
336,432	1,469,044	1,805,476
96,389		96,389
26,400	39,650	66,050
9,793		9,793
	<u>(9,593,449)</u>	<u>(9,593,449)</u>
<u>2,983,828</u>	<u>(8,084,755)</u>	<u>(5,100,927)</u>
796,723	(13,397,621)	(12,600,898)
<u>7,626,175</u>	<u>24,622,474</u>	<u>32,248,649</u>
<u>\$ 8,422,898</u>	<u>\$ 11,224,853</u>	<u>\$ 19,647,751</u>

FUND
FINANCIAL
STATEMENTS

HARTLAND TOWNSHIP
BALANCE SHEET
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2007

	<u>General</u>	<u>Fire Operating</u>	<u>Other Non-major Funds</u>	<u>Total</u>
<u>ASSETS</u>				
ASSETS				
Cash and cash equivalents	\$ 2,223,155	\$ 1,717,621	\$ 3,072,040	\$ 7,012,816
Receivables				
Taxes	37,641	84,288		121,929
State shared revenues	122,814			122,814
Accounts			24,087	24,087
Interest		7,203	2,341	9,544
Due from other funds	56,517			56,517
Due from others	<u>12,800</u>	<u>88,023</u>		<u>100,823</u>
Total assets	<u>\$ 2,452,927</u>	<u>\$ 1,897,135</u>	<u>\$ 3,098,468</u>	<u>\$ 7,448,530</u>
<u>LIABILITIES AND FUND BALANCE</u>				
LIABILITIES				
Accounts payable	\$ 116,553	\$ 14,100	\$ 13,823	\$ 144,476
Accrued wages and absences	24,622			24,622
Compliance reserves	55,082			55,082
Due to other funds	<u>9,666</u>			<u>9,666</u>
Total liabilities	<u>205,923</u>	<u>14,100</u>	<u>13,823</u>	<u>233,846</u>
FUND BALANCE				
Reserved				
Public safety		1,883,035	28,382	1,911,417
Public works			117,448	117,448
Unreserved	<u>2,247,004</u>		<u>2,938,815</u>	<u>5,185,819</u>
Total fund balance	<u>2,247,004</u>	<u>1,883,035</u>	<u>3,084,645</u>	<u>7,214,684</u>
Total liabilities and fund balance	<u>\$ 2,452,927</u>	<u>\$ 1,897,135</u>	<u>\$ 3,098,468</u>	<u>\$ 7,448,530</u>

The accompanying notes are an integral part of these financial statements

HARTLAND TOWNSHIP
RECONCILIATION OF STATEMENT OF NET ASSETS
OF GOVERNMENTAL FUNDS TO THE BALANCE SHEET
MARCH 31, 2007

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Total fund balance per balance sheet		\$ 7,214,684
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:		
Historical cost	\$ 4,777,030	
Depreciation	<u>(967,110)</u>	
Capital assets, net of depreciation		3,809,920
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These include:		
Contracts payable		<u>(2,601,706)</u>
Net assets of governmental activities		<u>\$ 8,422,898</u>

The accompanying notes are an integral part of these financial statements

HARTLAND TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2007

	General	Fire Operating	Other Non-major Funds	Total
REVENUES				
Taxes	\$ 527,460	\$ 1,239,571	\$	\$ 1,767,031
Grant - state	23,774			23,774
Intergovernmental - state	747,783		6,135	753,918
Licenses and permits	20,567			20,567
Rental income	26,400			26,400
Franchise fees			96,389	96,389
Charges for services	292,557		3,860	296,417
Sale of assets	613			613
Interest	156,118	53,645	126,669	336,432
Miscellaneous	9,180			9,180
Total revenues	<u>1,804,452</u>	<u>1,293,216</u>	<u>233,053</u>	<u>3,330,721</u>
EXPENDITURES				
General government	1,346,001		533,314	1,879,315
Parks and recreation	15,937			15,937
Police protection	133,993		2,934	136,927
Fire protection		796,315		796,315
Cemetery			18,931	18,931
Streetlights	12,491			12,491
Road improvements	80,773			80,773
Drains	18,952			18,952
Debt service		151,546	57,068	208,614
Community development	19,800			19,800
Total expenditures	<u>1,627,947</u>	<u>947,861</u>	<u>612,247</u>	<u>3,188,055</u>
Excess of revenues over (under) expenditures	176,505	345,355	(379,194)	142,666
OTHER FINANCING SOURCES (USES)				
Loan proceeds			1,500,000	1,500,000
Transfers in	250,000		57,068	307,068
Transfers (out)	(57,068)		(250,000)	(307,068)
Total other financing sources (uses)	<u>192,932</u>		<u>1,307,068</u>	<u>1,500,000</u>
Net changes in fund balances	369,437	345,355	927,874	1,642,666
FUND BALANCE, APRIL 1, 2006	<u>1,877,567</u>	<u>1,537,680</u>	<u>2,156,771</u>	<u>5,572,018</u>
FUND BALANCE, MARCH 31, 2007	<u>\$ 2,247,004</u>	<u>\$ 1,883,035</u>	<u>\$ 3,084,645</u>	<u>\$ 7,214,684</u>

The accompanying notes are an integral part of these financial statements

HARTLAND TOWNSHIP
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2007

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances - governmental funds		\$ 1,642,666
Governmental funds report capital outlay as expenditures. However, In the Statement of Activities the cost of those assets is allocated over their useful lives as depreciation expense. The amount by which capital outlays exceeded depreciation is as follows:		
Capital outlay	\$ 627,174	
Depreciation expense	<u>(96,386)</u>	
Total		530,788
Repayment of mortgages payable is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		
Repayment of:		
Contracts payable		123,269
Proceeds from installment purchase contracts are other financing sources in the governmental funds, but are long-term liabilities in the Statement of Net Assets:		
Loan proceeds		<u>(1,500,000)</u>
Change in net assets of governmental activities		<u>\$ 796,723</u>

The accompanying notes are an integral part of these financial statements

HARTLAND TOWNSHIP
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
MARCH 31, 2007

	<u>Water System</u>	<u>Sewage Disposal System</u>	<u>Total</u>
<u>ASSETS</u>			
CURRENT ASSETS			
Cash and cash equivalents	\$ 882,079	\$ 1,246,752	\$ 2,128,831
Accounts receivable	68,555	1,756,094	1,824,649
Due from other funds	3,959	12,666	16,625
Inventory	<u>32,345</u>		<u>32,345</u>
Total current assets	<u>986,938</u>	<u>3,015,512</u>	<u>4,002,450</u>
RESTRICTED ASSETS			
Cash and cash equivalents	1,535,111	5,856,805	7,391,916
Special assessments receivable	6,131,928	15,457,522	21,589,450
Due from county - construction fund		2,278,542	2,278,542
Debt issuance costs, net	<u>95,760</u>	<u>151,970</u>	<u>247,730</u>
Total restricted assets	<u>7,762,799</u>	<u>23,744,839</u>	<u>31,507,638</u>
CAPITAL ASSETS			
Land	300,000	1,247,230	1,547,230
Water and sewer systems	<u>9,110,267</u>		<u>9,110,267</u>
	9,410,267	1,247,230	10,657,497
Less accumulated depreciation	<u>(1,146,147)</u>		<u>(1,146,147)</u>
Net capital assets	<u>8,264,120</u>	<u>1,247,230</u>	<u>9,511,350</u>
Total assets	<u>17,013,857</u>	<u>28,007,581</u>	<u>45,021,438</u>
<u>LIABILITIES</u>			
CURRENT LIABILITIES			
Accounts payable/accrued payroll expense	26,671	834,286	860,957
Accrued interest payable	131,880		131,880
Due to other funds		8,307	8,307
Contracts payable - current portion		1,265,000	1,265,000
Bonds payable - current portion	<u>450,000</u>		<u>450,000</u>
Total current liabilities	<u>608,551</u>	<u>2,107,593</u>	<u>2,716,144</u>
LONG-TERM LIABILITIES			
Contracts payable - less current portion		24,605,441	24,605,441
Bonds payable - less current portion	<u>6,475,000</u>		<u>6,475,000</u>
Total long-term liabilities	<u>6,475,000</u>	<u>24,605,441</u>	<u>31,080,441</u>
Total liabilities	<u>7,083,551</u>	<u>26,713,034</u>	<u>33,796,585</u>
<u>NET ASSETS</u>			
NET ASSETS			
Invested in capital assets, net of related debt	1,339,120	1,247,230	2,586,350
Unrestricted	<u>8,591,186</u>	<u>47,317</u>	<u>8,638,503</u>
Total net assets	<u>\$ 9,930,306</u>	<u>\$ 1,294,547</u>	<u>\$ 11,224,853</u>

The accompanying notes are an integral part of these financial statements

HARTLAND TOWNSHIP
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED MARCH 31, 2007

	Water System Fund	Sewage Disposal System Fund	Totals
OPERATING REVENUES			
User charges	\$ 238,095	\$ 568,320	\$ 806,415
Meter sales	<u>14,680</u>		<u>14,680</u>
Total operating revenues	<u>252,775</u>	<u>568,320</u>	<u>821,095</u>
OPERATING EXPENSES			
Expansion projects		5,461,791	5,461,791
Amortization		6,513	6,513
Depreciation	228,209	250,662	478,871
Consulting engineer	142,410	22,368	164,778
Contract services	1,321	774,111	775,432
Meters	15,236		15,236
Legal fees	5,672	453	6,125
Assessments/licenses		3,650	3,650
Audit fees	4,820	5,820	10,640
Repairs and maintenance	430	41,221	41,651
Supplies and postage	1,044	2,952	3,996
Miscellaneous	1,920	1,923	3,843
Insurance	6,826	23,223	30,049
Wages and payroll taxes	<u>26,104</u>	<u>51,811</u>	<u>77,915</u>
Total operating expenses	<u>433,992</u>	<u>6,646,498</u>	<u>7,080,490</u>
Operating (loss)	<u>(181,217)</u>	<u>(6,078,178)</u>	<u>(6,259,395)</u>
NON-OPERATING REVENUES AND (EXPENSES)			
Loss on disposal of assets		(9,593,449)	(9,593,449)
Interest income - special assessments	358,041	747,404	1,105,445
Interest income - cash and cash equivalents	83,435	280,164	363,599
Amortization - bond fees	(6,995)	(800)	(7,795)
Rental and other income		39,650	39,650
Interest expense	<u>(318,220)</u>	<u>(1,195,731)</u>	<u>(1,513,951)</u>
Total non-operating revenues (expenses)	<u>116,261</u>	<u>(9,722,762)</u>	<u>(9,606,501)</u>
Net income (loss) before capital contributions	<u>(64,956)</u>	<u>(15,800,940)</u>	<u>(15,865,896)</u>
CAPITAL CONTRIBUTIONS			
Special assessments levied		245,660	245,660
Tap-in fees	<u>127,400</u>	<u>2,095,215</u>	<u>2,222,615</u>
Total capital contributions	<u>127,400</u>	<u>2,340,875</u>	<u>2,468,275</u>
Net income (loss)	62,444	(13,460,065)	(13,397,621)
NET ASSETS AT APRIL 1, 2006	<u>9,867,862</u>	<u>14,754,612</u>	<u>24,622,474</u>
NET ASSETS AT MARCH 31, 2007	<u>\$ 9,930,306</u>	<u>\$ 1,294,547</u>	<u>\$ 11,224,853</u>

The accompanying notes are an integral part of these financial statements

HARTLAND TOWNSHIP
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED MARCH 31, 2007

	Water System Fund	Sewage Disposal System Fund	Totals
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES			
Cash from users	\$ 233,147	\$ 529,956	\$ 763,103
Cash paid to vendors	(176,816)	(800,828)	(977,644)
Cash paid to employees	(24,195)	(51,722)	(75,917)
Other cash receipts		39,650	39,650
Cash paid to from other funds		(6,559)	(6,559)
	<u>32,136</u>	<u>(289,503)</u>	<u>(257,367)</u>
Net cash from (used in) operating activities			
CASH FLOWS FROM (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES			
Connection fees received	127,400	532,057	659,457
Special assessment collections	491,058	1,010,454	1,501,512
Interest received on assessments	358,041	747,404	1,105,445
Repayment of principal on bonds	(450,000)	(455,000)	(905,000)
Interest paid on bonds	(327,025)	(1,195,731)	(1,522,756)
Bond fees paid		(800)	(800)
	<u>199,474</u>	<u>638,384</u>	<u>837,858</u>
Net cash from (used in) capital and related financing activities			
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES			
Interest income	<u>83,435</u>	<u>280,164</u>	<u>363,599</u>
Net increase in cash and cash equivalents	315,045	629,045	944,090
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,102,145</u>	<u>6,474,512</u>	<u>8,576,657</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,417,190</u>	<u>\$ 7,103,557</u>	<u>\$ 9,520,747</u>
RECONCILIATION OF OPERATING (LOSS) TO NET CASH FROM (USED IN) OPERATING ACTIVITIES			
Operating (loss)	\$ (181,217)	\$ (6,078,178)	\$ (6,259,395)
Adjustments to reconcile operating (loss) to net cash from (used in) operating activities			
Depreciation/amortization	228,209	257,175	485,384
Rental income		39,650	39,650
Changes in assets and liabilities:			
(Increase) in accounts receivable	(19,628)	(38,364)	(57,992)
(Increase) in due from other funds		(12,666)	(12,666)
(Increase) in inventory	(3,463)		(3,463)
Increase in accounts payable/accrued expenses	8,235	776,757	784,992
Decrease in due from county construction funds		4,760,016	4,760,016
Increase in due to other funds		6,107	6,107
	<u>213,353</u>	<u>5,788,675</u>	<u>6,002,028</u>
Total adjustments			
Net cash from (used in) operating activities	<u>\$ 32,136</u>	<u>\$ (289,503)</u>	<u>\$ (257,367)</u>

The accompanying notes are an integral part of these financial statements

HARTLAND TOWNSHIP
STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUNDS
MARCH 31, 2007

	<u>Current Tax Collection</u>	<u>Trust and Agency</u>	<u>Totals</u>
ASSETS			
Cash	<u>\$ 44,433</u>	<u>\$ 224,752</u>	<u>\$ 269,185</u>
 LIABILITIES			
Due to other funds	\$ 44,433	\$ 10,736	\$ 55,169
Deposits	<u> </u>	<u>214,016</u>	<u>214,016</u>
Total liabilities	<u>\$ 44,433</u>	<u>\$ 224,752</u>	<u>\$ 269,185</u>

NOTES
TO
FINANCIAL
STATEMENTS

HARTLAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Township relating to the funds and account groups included in the accompanying combined financial statements conform to generally accepted accounting principles applicable to state and local governments. The more significant accounting policies of the Township are described below.

A. BASIC FINANCIAL STATEMENTS

In accordance with GASB Statement No. 34 - *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, the basic financial statements include both government-wide and fund financial statements.

The government-wide financial statements (Statement of Net Assets and Statement of Activities) report on the Township as a whole, excluding fiduciary activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All activities, both governmental and business-type, are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets and receivables as well as long-term debt and obligations. The government-wide financial statements focus more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

Generally, the effect of interfund activity has been removed from the government-wide financial statements. Net interfund activity and balances between governmental activities and business-type activities are shown in the government-wide financial statements.

The government-wide Statement of Net Assets reports all financial and capital resources of the Township (excluding fiduciary funds). It is displayed in a format of assets less liabilities equals net assets, with the assets and liabilities shown in order of their relative liquidity. Net assets are required to be displayed in three components: 1) invested in capital assets, net of related debt, 2) restricted, and 3) unrestricted. Invested in capital assets, net of related debt is capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Restricted net assets are those with constraints placed on their use by either: 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations or other governments, or 2) imposed by law through constitutional provisions or enabling legislation. All net assets not otherwise classified as restricted, are shown as unrestricted. Generally the Township would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

The Government-Wide Statement of Activities demonstrates the degree to which both direct and indirect expenses of the various functions and programs of the Township are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Indirect expenses for administrative overhead are allocated among the functions and activities using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. Interest on general long-term debt is not allocated to the various functions. Program revenues include: 1) charges to customers or users who purchase, use or directly benefit from goods, services or privileges provided by a particular function or program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes, unrestricted investment income and other revenues not identifiable with particular functions or programs are included as general revenues. The general revenues support the net costs of the functions and programs not covered by program revenues.

HARTLAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Also, part of the basic financial statements are fund financial statements for governmental funds and proprietary funds. The focus of the fund financial statements is on major funds, as defined by GASB Statement No. 34. Although this reporting model sets forth minimum criteria for determination of major funds (a percentage of assets, liabilities, revenues, or expenditures/expenses of fund category and of the governmental and enterprise funds combined), it also gives governments the option of displaying other funds as major funds. Other non-major funds, are combined in a single column on the fund financial statements.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire Operating Fund accounts for property taxes collected for and the related costs to provide fire protection to the Township residents.

The Township reports the following major proprietary funds:

The Sewage Disposal Fund accounts for all the activity associated with the operations and maintenance of operating a sewage treatment system.

The Water System Fund accounts for all the activity associated with the operations and maintenance of operating a water distribution system.

B. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The governmental fund financial statements are prepared on a current financial resources measurement focus and modified accrual basis of accounting. To conform to the modified accrual basis of accounting, certain modifications must be made to the accrual method. These modifications are outlined below:

- A. Revenue is recorded when it becomes both measurable and available (received within 60 days after year-end). Revenue considered susceptible to accrual includes: property taxes, sales and use taxes, transient occupancy taxes, licenses, fees and permits, intergovernmental revenues, charges for services, fines, forfeits and penalties, and interest.
- B. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.
- C. Disbursements for the purchase of capital assets providing future benefits are considered expenditures. Bond proceeds are reported as another financing source.

With this measurement focus, operating statements present increases and decreases in net current assets and unreserved fund balance as a measure of available resources.

This is the traditional basis of accounting for governmental funds and also is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to: 1) demonstrate legal and covenant compliance, 2) demonstrate the sources and uses of liquid resources, and 3) demonstrate how the Township's actual revenues and expenditures conform to the annual budget. Since the governmental funds financial statements are presented on a different basis than the governmental activities column of the government-wide financial statements, a reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.

HARTLAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The proprietary funds financial statements are prepared on the same basis (economic resources measurement focus and accrual basis of accounting) as the government-wide financial statements. Therefore, most lines for the total enterprise funds on the proprietary funds financial statements will directly reconcile to the business-type activities column on the government-wide financial statements. Because the enterprise funds are combined into a single business-type activities column on the government-wide financial statements, certain interfund activities between these funds are eliminated in the consolidation for the government-wide financial statements, but are included in the fund columns in the proprietary funds financial statements.

Enterprise funds account for operations where the intent of the Township is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. Under GASB Statement No. 34, enterprise funds are also required for any activity whose principal revenue sources meet any of the following criteria: 1) any activity that has issued debt backed solely by the fees and charges of the activity, 2) if the cost of providing services for any activity, including capital costs such as depreciation or debt service, must legally be recovered through fees and charges of the activity, or 3) it is the policy of the Township to establish activity fees or charges to recover the cost of providing services, including capital costs.

On the proprietary funds financial statements, operating revenues are those that flow directly from the operations of the activity, i.e. charges to customers or users who purchase or use the goods or services of that activity. Operating expenses are those that are incurred to provide those goods or services. Non-operating revenues and expenses are items such as investment income and interest expense that are not a result of the direct operations of the activity.

Under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Township has elected for proprietary funds not to apply Financial Accounting Standards Board statements issued after November 30, 1989.

Fiduciary funds account for assets held by the Township in a trustee or agency capacity on behalf of others and, therefore, are not available to support Township programs. Fiduciary funds are not included in the government-wide financial statements as they are not an asset of the Township available to support Township programs. The Township currently maintains an agency fund to account for the monies collected and paid on behalf of developer's escrow accounts.

C. CAPITAL ASSETS

Under GASB Statement No. 34, all capital assets, whether owned by governmental activities or business-type activities, are recorded and depreciated in the government-wide financial statements. No long-term capital assets or depreciation are shown in the governmental funds financial statements.

Capital assets, including public domain infrastructure (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the Township) are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life greater than one year. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation. Real properties are considered capital assets regardless of initial cost.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

HARTLAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings, structures and improvements	5 to 50 years
Utility plant	5 to 50 years
Machinery and equipment	2 to 40 years
Infrastructure	25 to 75 years

Capital assets transferred between funds are transferred at their net book value (cost less accumulated depreciation), as of the date of the transfer.

D. BUDGETARY DATA

The board of trustees follow the procedures as outlined in the Uniform Budgeting Manual for Local Units of Government in Michigan in the establishment of the various annual budgets.

The supervisor prepares the annual budgets through information received by the clerk. The proposed budget is then submitted for discussion and approved by the entire Township board. The budget is approved by activity rather than line item. If and when it becomes necessary to amend certain amounts in the budget, a proposal outlining the desired changes is made to and approved by the Township board at any of their regular meetings. Budget appropriations made, but not expended by year end, will lapse with the fiscal year end.

For the year ended March 31, 2007, expenditures exceeded appropriations in several functional activities. A budget was not adopted for the Public Improvement Revolving Fund. This is a violation of Public Act 493 of 2000.

E. PROPERTY TAXES

The Township's property taxes are levied and become a lien on each December 1st based on the taxable value of property located in the Township as of the preceding December 31st. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county delinquent tax rolls. The Township recognized the amount levied December 1, 2006 as revenue for the year ended March 31, 2007.

The 2006 taxable valuation of the Township totaled \$ 658,089,500. The delinquent real property taxes of the Township are purchased by Livingston County. The county sells tax notes, the proceeds of which will be used to pay the Township for these property taxes. The county disbursed the delinquent taxes to the Township in June 2007.

The Township levies the following millage:

General Township	.8003
Fire and fire capital improvements	<u>1.8819</u>
Total millage	<u>2.6822</u>

F. MANAGEMENT'S ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

HARTLAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

G. CASH EQUIVALENTS

For purposes of the statement of cash flows, demand deposits and short-term investments with a maturity date of three months or less when acquired are considered to be cash equivalents.

H. RISK MANAGEMENT

The Township is exposed to various risks of loss pertaining to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for these claims. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Township. Settled claims related to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

I. INVENTORIES AND PREPAID ITEMS

Inventories are valued at cost. Cost is determined using the first-in, first-out method. Inventory consists of expendable supplies held for consumption. Inventories are capitalized under the consumption method, whereby expenditures are capitalized as inventory until used.

J. CAPITALIZATION OF INTEREST

A portion of the interest cost incurred on capital projects is capitalized on assets that require a period of time for construction or to otherwise prepare them for their intended use. Such amounts are amortized over the useful lives of the assets.

K. INCOME TAXES

As a governmental agency, the Township is exempt from both federal income taxes and Michigan Single Business Tax.

NOTE 2 - DESCRIPTION OF REPORTING ENTITY

In accordance with Governmental Accounting Standards Board (GASB) statement number 39, all funds, agencies, and activities of Hartland Township have been included in the basic financial statements.

The following potential component unit has been evaluated under the criteria established by GASB statement number 39 and determined not be a component unit based upon financial independence and accountability:

HARTLAND, DEERFIELD FIRE AUTHORITY

Hartland Township appoints two members of the Authority's four member board. The Authority is fiscally independent from the Township. The Authority audited as an independent entity in compliance with Public Act. 2.

HARTLAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the governmental funds for the year ended March 31, 2007 was as follows:

A summary of changes in the governmental fund capital assets follows:

	Balance 4/1/06	Additions	Deletions	Balance 3/31/07
Land	\$ 1,160,030	\$	\$	\$ 1,160,030
Buildings and improvements	2,838,985			2,838,985
Machinery and equipment	145,746	66,820		212,566
Construction in progress	<u>5,095</u>	<u>560,354</u>		<u>565,449</u>
Total capital assets	4,149,856	627,174		4,777,030
Accumulated depreciation	<u>(870,724)</u>	<u>(96,386)</u>		<u>(967,110)</u>
Governmental activities capital asset, net	<u>\$ 3,279,132</u>	<u>\$ 530,788</u>	<u>\$</u>	<u>\$ 3,809,920</u>

Depreciation expense is being recorded in the government-wide statement of activities based upon the fund and activity utilizing the assets. The Township utilizes the straight line method to depreciate capital assets over their estimated useful lives. There is \$2,601,706 of debt associated with these capital assets.

Depreciation expense was distributed to the various activities as follows:

General government	\$ 35,144
Fire protection	<u>61,242</u>
	<u>\$ 96,386</u>

HARTLAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007

NOTE 3 - CAPITAL ASSETS (continued)

A summary of changes in proprietary fixed assets is as follows:

Acquisitions of fixed assets in the Water System Fund and Sewage Disposal Fund, are recorded in their respective asset accounts and annual depreciation, based on the straight-line method over estimated useful life, is charged to current operations.

	Balance 4/1/06	Additions	Deletions	Balance 3/31/07
Land	\$ 1,547,230	\$	\$	\$ 1,547,230
Water system	9,110,267			9,110,267
Sewer System	<u>12,496,284</u>	<u></u>	<u>12,496,284</u>	<u></u>
	23,153,781			10,657,497
Less: accumulated depreciation	<u>(3,570,111)</u>	<u>(478,871)</u>	<u>2,902,835</u>	<u>(1,146,147)</u>
Fixed assets, net of depreciation	<u>\$ 19,583,670</u>	<u>\$ (478,871)</u>	<u>\$ (9,593,449)</u>	<u>\$ 9,511,350</u>

A large loss on disposal of capital assets occurred during the year due to the Township no longer using its sewage treatment facility as of March 31, 2007. The Township expects to demolish this system within the next fiscal year since it is now using Genesee County's system for treatment.

NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables exist at March 31, 2007. These represent short-term borrowings and amounts owed for reimbursements between other funds. The total interfund receivable and payable balance at March 31, 2007 is \$49,017.

	Interfund Receivable	Interfund Payable
General Fund	\$ 56,517	\$ 9,666
Water Fund	3,959	
Sewer Fund	12,666	8,307
Trust and agency fund		10,736
Current tax fund	<u></u>	<u>44,433</u>
	<u>\$ 73,142</u>	<u>\$ 73,142</u>

NOTE 5 - GOVERNMENTAL FUND - LONG-TERM DEBT

A summary of the Township's governmental fund long-term debt as of March 31, 2007, and transactions during the year then ended follows:

	Balance 4/1/06	Additions	Deletions	Balance 3/31/07
Contracts payable - Fire Hall	\$ 1,224,975	\$	\$ 93,606	\$ 1,131,369
Contracts payable - Township Hall	<u></u>	<u>1,500,000</u>	<u>29,663</u>	<u>1,470,337</u>
	<u>\$ 1,224,975</u>	<u>\$ 1,500,000</u>	<u>\$ 123,269</u>	<u>\$ 2,601,706</u>

HARTLAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007

NOTE 5 - GOVERNMENTAL FUND - LONG-TERM DEBT (continued)

Contract payable Fire Hall - The Township entered into an installment purchase contract with a bank to finance the construction costs of a fire hall expansion project on August 28, 2001. The borrowing is allowed without state approval under Public Act 99 of 1933. The contract requires monthly payments of principal and interest until satisfied in July 2016. As of March 31, 2007 the outstanding balance of the contract was \$1,131,369 with a fixed interest rate of 4.9% per annum.

Contract payable Township Hall - The Township entered into an installment purchase contract with a bank to finance the construction of a new township hall on October 5, 2006. The borrowing is allowed without state approval under Public Act 99 of 1933. The contract requires monthly payments of principal and interest until satisfied in October 2021. As of March 31, 2007 the outstanding balance of the contract was \$1,470,337 with a fixed interest rate of 4.42% per annum.

The following is a schedule of future principal and interest payments to service the long-term contract obligations of the Township for the governmental funds:

	Installment Purchase Contract Payable National City Bank Fire Hall Expansion			Installment Purchase Contract Payable Citizens Bank New Township Hall			Total Principal and Interest Future Debt Service Obligations		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2007 - 2008	\$ 98,298	\$ 53,248	\$ 151,546	\$ 73,451	\$ 63,513	\$ 136,964	\$ 171,749	\$ 116,761	\$ 288,510
2008 - 2009	103,224	48,322	151,546	76,764	60,200	136,964	179,988	108,522	288,510
2009 - 2010	108,397	43,149	151,546	80,227	56,737	136,964	188,624	99,886	288,510
2010 - 2011	113,830	37,716	151,546	83,846	53,118	136,964	197,676	90,834	288,510
2011 - 2012	119,534	32,012	151,546	87,628	49,336	136,964	207,162	81,348	288,510
2012 - 2017	588,086	65,492	653,578	501,115	183,705	684,820	1,089,201	249,197	1,338,398
2017 - 2022				567,306	60,444	627,750	567,306	60,444	627,750
Total	<u>\$ 1,131,369</u>	<u>\$ 279,939</u>	<u>\$ 1,411,308</u>	<u>\$ 1,470,337</u>	<u>\$ 527,053</u>	<u>\$ 1,997,390</u>	<u>\$ 2,601,706</u>	<u>\$ 806,992</u>	<u>\$ 3,408,698</u>

HARTLAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007

NOTE 6 - PROPRIETARY FUNDS - BONDS PAYABLE

The following is a summary of the Townships debt categorized as proprietary for the year ended March 31, 2007:

	Balance 4/1/06	Additions	Deletions	Balance 3/31/07
1. Bonds payable (Sanitary Sewer Project); interest is charges at 4.25% to 4.5% payable semi-annually to Livingston County with annual principle payments ranging from \$475,000 to \$1,175,000 until it's maturity on November 1, 2030.	\$ 21,700,000	\$	\$	\$ 21,700,000
2. Bonds payable (Water System Special Assessment Bonds, Series 2001); interest is changed at 4.5% to 4.6%; payable to Livingston County through the year 2021 with principal payments annually from \$450,000 to \$475,000.	7,375,000		450,000	6,925,000
3. The Township expanded its sewer system into district #2 and connecting branches. Financing was done through bond sales through the Michigan State Revolving Loan Fund Program. The Livingston County Drain Commission signed an agreement with the Township to be the intermediary between the Township and state. Interest is charged at 2.25%. The Township had borrowed a total of \$8,125,055 for the expansion. The debt is set-up as two separate loans to match:				
1. District #2 and				
2. Branches to District #2.				
Thus, there are two separate special assessment districts set-up to repay the debt.				
1. District #2	3,049,915		300,000	2,749,915
2. Branches to #2	1,360,526		135,000	1,225,526
	<u>4,410,441</u>		<u>435,000</u>	<u>3,975,441</u>

The Township makes principal and interest payments to the Livingston County Drain Commission to be paid through the year 2015.

HARTLAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007

NOTE 6 - PROPRIETARY FUNDS - BONDS PAYABLE (continued)

	<u>Balance 4/1/06</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/07</u>
4. The State of Michigan has discretion as to which costs are eligible to be paid through the revolving loan fund. Thus, for costs that are not eligible to be paid through the SRF program another bond sale was issued by the Livingston County Drain Commission (\$375,000 general obligation bonds). These bonds were issued in the year ending March 31, 1996. Interest is charged at 6%. Principal and interest is payable to the Livingston County Drain Commission to be paid through the year 2015.	215,000		20,000	195,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total proprietary long-term debt	<u>\$ 33,700,441</u>	<u>\$</u>	<u>\$ 905,000</u>	<u>\$ 32,795,441</u>

The following is a schedule of principal and interest payments to service the long-term obligations of the Township:

	ENTERPRISE FUNDS Proprietary Long Term Debt		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>Year</u>			
2007 - 2008	\$ 1,715,000	\$ 1,302,016	\$ 3,017,016
2008 - 2009	1,740,000	1,240,777	2,980,777
2009 - 2010	1,775,000	1,178,452	2,953,452
2010 - 2011	1,800,000	1,114,807	2,914,807
2011 - 2012	1,840,000	1,049,633	2,889,633
2012 - 2017	8,975,441	4,199,665	13,175,106
2017 - 2022	7,925,000	2,507,738	10,432,738
2022 - 2027	5,125,000	1,030,925	6,155,925
2027 - 2031	<u>1,900,000</u>	<u>213,156</u>	<u>2,113,156</u>
	<u>\$32,795,441</u>	<u>\$13,837,169</u>	<u>\$46,632,610</u>

HARTLAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007

NOTE 7 - EMPLOYEE RETIREMENT PLAN

The Township participates in the John Hancock Defined Contribution Pension Plan Group No. 60145 for Michigan Township employees. This is a single-employer plan. Substantially all full-time employees, elected officials and trustees are included in the plan. Plan eligibility is a minimum age of 18 and not more than 75. The plan is 75% contributory by the Township and 25% by the employee. For employees with annual compensation of \$3,000 or more, the total annual contribution is \$900. Employees may also make voluntary after tax contributions in amounts ranging from 1% to 10% of compensation. Annual compensation used to determine the current year contribution is as of February 1, preceding the year. Contribution information is as follows:

	<u>Employer</u>	<u>Employee</u>	<u>Total</u>
TOTAL CURRENT YEAR CONTRIBUTIONS	<u>\$ 15,325</u>	<u>\$ 10,468</u>	<u>\$ 25,793</u>
ACCOUNT VALUE AT LAST ANNUAL STATEMENT			<u>\$ 174,315</u>

These balances reflect contributions for the period from April 1, 2006 to March 31, 2007. The current year employer contribution for the year ended March 31, 2007, was \$15,325. Interest has been credited to January 31, 2007.

HARTLAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007

NOTE 8 - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The investment policy adopted by the Township in accordance with Act 196 PA 1997 has authorized investments as listed in the state statutory authority listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Township's deposits and investments are as follows:

<u>Deposits</u>	<u>Carrying Amount</u>		<u>Total</u>	<u>Bank Balance</u>
	<u>Primary Government</u>	<u>Fiduciary Funds</u>		
Insured	\$ 700,000	\$	\$ 700,000	\$ 700,000
Uninsured and uncollateralized	<u>15,833,563</u>	<u>269,185</u>	<u>16,102,748</u>	<u>16,108,689</u>
Total deposits	<u>\$ 16,533,563</u>	<u>\$ 269,185</u>	<u>\$ 16,802,748</u>	<u>\$ 16,808,689</u>

NOTE 9 - CONTINGENCIES

The Township is involved in various legal actions arising in the normal course of business. In the opinion of management, such matters will not have a material effect upon the financial position of the Township.

NOTE 10 - TRUST AND AGENCY FUND

The Township maintains the Trust and Agency Fund to account for delinquent personal property taxes and funds held in escrow for developers. Accurate records were not maintained for these escrows accounts and it is expected that a portion of these funds held by the Trust and Agency Fund may be repaid to the General Fund.

HARTLAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007

NOTE 11 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The Township maintains two enterprise funds, which provide water and sewer services. Segment information for the year ended March 31, 2007, was as follows:

	Sewer Fund	Water Fund	Total Enterprise Funds
Operating revenues	\$ 568,320	\$ 252,775	\$ 821,095
Depreciation	250,662	228,209	478,871
Operating (loss)	(6,078,178)	(181,217)	(6,259,395)
Non-operating revenues (expenses)	(9,722,762)	116,261	(9,606,501)
Net income (loss)	(13,460,065)	62,444	(13,397,621)
Total assets	28,007,581	17,013,857	45,021,438
Accounts payable	834,286	26,671	860,957
Net working capital	2,172,919	828,387	3,001,306
Total equity	1,294,547	9,930,306	11,224,853

NOTE 12 - PROJECT UNCERTAINTIES

In the year 2005 the Township entered into an agreement with the Livingston County Drain Commission in which the County sold bonds for approximately \$22 million on behalf of the Township, to finance the construction of sewer lines to connect to Genesee County's sewer system. The bonds are payable over 25 years.

The Township has special assessments in the district to finance the debt. The Township believed there would be enough new sewer customers outside of the original sewer district to pay for the difference of amount assessed to the bond debt. Without a substantial inflow of connection fees to pay for this debt, the Township may have difficulties paying its debt obligation.

The Township is considering various options to remedy the above problem.

NOTE 13 - MICHIGAN DEPARTMENT OF ENVIRONMENTAL QUALITY

The Township was a recipient of a voting grant by the State of Michigan. The grant funds were used to purchase election equipment in order to be in compliance with new state election standards. The grant was completed during the fiscal year, but remains open for state compliance audits. All funds received were state funds.

REQUIRED
SUPPLEMENTARY
INFORMATION

HARTLAND TOWNSHIP
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2007

	Budgets		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Taxes	\$	\$	\$ 527,460	\$
Licenses and permits			20,567	
State shared revenues			747,783	
Charges for services			277,787	
Miscellaneous revenues			230,855	
Total revenues	1,683,626	1,683,626	1,804,452	120,826
EXPENDITURES	<u>1,653,968</u>	<u>1,843,792</u>	<u>1,627,947</u>	<u>215,845</u>
Excess of revenues over (under) expenditures	<u>29,658</u>	<u>(160,166)</u>	<u>176,505</u>	<u>336,671</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	150,000	150,000	250,000	100,000
Transfers (out)	<u>(15,000)</u>	<u>(15,000)</u>	<u>(57,068)</u>	<u>(42,068)</u>
Total other financing sources (uses)	<u>135,000</u>	<u>135,000</u>	<u>192,932</u>	<u>57,932</u>
Net change in fund balance	164,658	(25,166)	369,437	394,603
FUND BALANCE, APRIL 1, 2006	<u>1,877,567</u>	<u>1,877,567</u>	<u>1,877,567</u>	
FUND BALANCE, MARCH 31, 2007	<u>\$ 2,042,225</u>	<u>\$ 1,852,401</u>	<u>\$ 2,247,004</u>	<u>\$ 394,603</u>

HARTLAND TOWNSHIP
FIRE OPERATING FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2007

	Budgets			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES				
Taxes	\$	\$	\$ 1,239,571	\$
Interest			53,645	
Total revenues	<u>1,227,600</u>	<u>1,227,600</u>	<u>1,293,216</u>	<u>65,616</u>
EXPENDITURES				
Audit fees			800	
Authority contributions			714,761	
Tax chargebacks			5	
Supplies			3	
Maintenance			4,792	
Legal fees			30,557	
Capital outlay			43,920	
Note payable - principal			93,606	
Note payable - interest			57,940	
Utility assessments			1,477	
Total expenditures	<u>928,298</u>	<u>928,298</u>	<u>947,861</u>	<u>(19,563)</u>
Net change in fund balance	299,302	299,302	345,355	46,053
FUND BALANCE, APRIL 1, 2006	<u>1,537,680</u>	<u>1,537,680</u>	<u>1,537,680</u>	
FUND BALANCE, MARCH 31, 2007	<u>\$ 1,836,982</u>	<u>\$ 1,836,982</u>	<u>\$ 1,883,035</u>	<u>\$ 46,053</u>

SUPPLEMENTARY
INFORMATION

COMBINING
FINANCIAL
STATEMENTS

HARTLAND TOWNSHIP
COMBINING BALANCE SHEET
ALL SPECIAL REVENUE FUNDS
MARCH 31, 2007

	<u>Liquor Law Enforcement</u>	<u>Fire Operating</u>	<u>Cable Television</u>
<u>ASSETS</u>			
ASSETS			
Cash	\$ 28,382	\$ 1,717,621	\$ 276,695
Taxes receivable		84,288	
Interest receivable		7,203	2,341
Fees receivable	<u> </u>	<u>88,023</u>	<u>24,087</u>
Total assets	<u>\$ 28,382</u>	<u>\$ 1,897,135</u>	<u>\$ 303,123</u>
 <u>LIABILITIES AND FUND BALANCE</u>			
LIABILITIES			
Accounts payable	\$	\$ 14,100	\$ 13,814
FUND BALANCE	<u>28,382</u>	<u>1,883,035</u>	<u>289,309</u>
Total liabilities and fund balance	<u>\$ 28,382</u>	<u>\$ 1,897,135</u>	<u>\$ 303,123</u>

<u>Cemetery</u>	<u>Township Improvement Revolving</u>	<u>Totals</u>
\$ 117,457	\$ 830,933	\$ 2,971,088
		84,288
		9,544
		<u>112,110</u>
<u>\$ 117,457</u>	<u>\$ 830,933</u>	<u>\$ 3,177,030</u>

\$ 9	\$	\$ 27,923
<u>117,448</u>	<u>830,933</u>	<u>3,149,107</u>
<u>\$ 117,457</u>	<u>\$ 830,933</u>	<u>\$ 3,177,030</u>

HARTLAND TOWNSHIP
COMBINING BALANCE SHEET
ALL CAPITAL PROJECT FUNDS
MARCH 31, 2007

	<u>Capital Improvement Fund</u>	<u>Township Construction Fund</u>	<u>Totals</u>
<u>ASSETS</u>			
ASSETS			
Cash and cash equivalents	\$ 771,851	\$ 1,046,699	\$ 1,818,550
<u>FUND BALANCE</u>			
FUND BALANCE	\$ 771,851	\$ 1,046,699	\$ 1,818,550

HARTLAND TOWNSHIP
COMBINING BALANCE SHEET
ALL ENTERPRISE FUNDS
MARCH 31, 2007

<u>ASSETS</u>	<u>Water System Fund</u>	<u>Sewage Disposal System Fund</u>	<u>Totals</u>
CURRENT ASSETS			
Cash and cash equivalents	\$ 882,079	\$ 1,246,752	\$ 2,128,831
Accounts receivable	68,555	1,756,094	1,824,649
Inventory	32,345		32,345
Due from other funds	<u>3,959</u>	<u>12,666</u>	<u>16,625</u>
Total current assets	<u>986,938</u>	<u>3,015,512</u>	<u>4,002,450</u>
 RESTRICTED ASSETS			
Cash and cash equivalents	1,535,111	5,856,805	7,391,916
Special assessments receivable	6,131,928	15,457,522	21,589,450
Due from county - construction funds		2,278,542	2,278,542
Debt issuance costs, net	<u>95,760</u>	<u>151,970</u>	<u>247,730</u>
Total restricted assets	<u>7,762,799</u>	<u>23,744,839</u>	<u>31,507,638</u>
 PROPERTY, PLANT AND EQUIPMENT			
Land	300,000	1,247,230	1,547,230
Water/sewer system	<u>9,110,267</u>		<u>9,110,267</u>
	9,410,267	1,247,230	10,657,497
Less accumulated depreciation	<u>1,146,147</u>		<u>1,146,147</u>
Net property, plant and equipment	<u>8,264,120</u>	<u>1,247,230</u>	<u>9,511,350</u>
Total assets	<u>\$ 17,013,857</u>	<u>\$ 28,007,581</u>	<u>\$ 45,021,438</u>

	Water System Fund	Sewage Disposal System Fund	Totals
<u>LIABILITIES AND FUND EQUITY</u>			
CURRENT LIABILITIES			
Accounts payable / accrued expenses	\$ 26,671	\$ 834,286	\$ 860,957
Accrued interest payable	131,880		131,880
Due to other funds		8,307	8,307
Total current liabilities	<u>158,551</u>	<u>842,593</u>	<u>1,001,144</u>
CURRENT LIABILITIES (from restricted assets)			
Bonds payable	450,000		450,000
Contract payable - LCDC - sewer		1,265,000	1,265,000
Total current liabilities (from restricted assets)	<u>450,000</u>	<u>1,265,000</u>	<u>1,715,000</u>
LONG-TERM LIABILITIES (from restricted assets)			
Bonds payable	6,475,000		6,475,000
Contract payable - LCDC - sewer		24,605,441	24,605,441
Total long-term liabilities (from restricted assets)	<u>6,475,000</u>	<u>24,605,441</u>	<u>31,080,441</u>
Total liabilities	7,083,551	26,713,034	33,796,585
FUND EQUITY			
Retained earnings	<u>9,930,306</u>	<u>1,294,547</u>	<u>11,224,853</u>
Total liabilities and fund equity	<u>\$ 17,013,857</u>	<u>\$ 28,007,581</u>	<u>\$ 45,021,438</u>

HARTLAND TOWNSHIP
COMBINING BALANCE SHEET
ALL AGENCY FUNDS
MARCH 31, 2007

	<u>Current Tax Collection</u>	<u>Trust and Agency</u>	<u>Totals</u>
ASSET			
Cash	\$ 44,433	\$ 224,752	\$ 269,185
LIABILITIES			
Due to other funds	\$ 44,433	\$ 10,736	\$ 55,169
Deposits		214,016	214,016
Total liabilities	\$ 44,433	\$ 224,752	\$ 269,185

HARTLAND TOWNSHIP
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - ALL SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED MARCH 31, 2007

	<u>Liquor Law Enforcement</u>	<u>Fire Operating</u>	<u>Cable Television</u>
REVENUES			
Property taxes	\$	\$ 1,239,571	\$
Licenses and permits	6,135		
Charges for services			96,389
Interest	<u>1,258</u>	<u>53,645</u>	<u>12,929</u>
Total revenues	<u>7,393</u>	<u>1,293,216</u>	<u>109,318</u>
EXPENDITURES			
Public safety	964	796,315	
Salaries and fees	1,830		12,674
Taxes - payroll	140		1,039
Cemetery maintenance			
Cable TV operations			38,013
Debt service	<u></u>	<u>151,546</u>	<u></u>
Total expenditures	<u>2,934</u>	<u>947,861</u>	<u>51,726</u>
Excess of revenues over (under) expenditures	4,459	345,355	57,592
OTHER FINANCING SOURCES			
Transfer (out)	<u></u>	<u></u>	<u></u>
Net change in fund balance	4,459	345,355	57,592
FUND BALANCE, APRIL 1, 2006	<u>23,923</u>	<u>1,537,680</u>	<u>231,717</u>
FUND BALANCE, MARCH 31, 2007	<u>\$ 28,382</u>	<u>\$ 1,883,035</u>	<u>\$ 289,309</u>

<u>Cemetery</u>	<u>Township Improvement Revolving</u>	<u>Totals</u>
\$	\$	\$ 1,239,571
3,860		6,135
<u>5,727</u>	<u>40,754</u>	<u>100,249</u>
<u>9,587</u>	<u>40,754</u>	<u>114,313</u>
		<u>1,460,268</u>
		797,279
		14,504
		1,179
18,931		18,931
		38,013
		<u>151,546</u>
<u>18,931</u>		<u>1,021,452</u>
(9,344)	40,754	438,816
	(250,000)	(250,000)
(9,344)	(209,246)	188,816
<u>126,792</u>	<u>1,040,179</u>	<u>2,960,291</u>
<u>\$ 117,448</u>	<u>\$ 830,933</u>	<u>\$ 3,149,107</u>

HARTLAND TOWNSHIP
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 ALL CAPITAL PROJECT FUNDS
 FOR THE YEAR ENDED MARCH 31, 2007

	Capital Improvement Fund	Township Hall Construction Fund	Totals
REVENUES			
Interest	\$ 37,691	\$ 28,287	\$ 65,978
EXPENDITURES			
Project costs	<u> </u>	<u>481,588</u>	<u>481,588</u>
Excess of revenues over (under) expenditures	37,691	(453,301)	(415,610)
OTHER FINANCING SOURCES (USES)			
Loan proceeds	<u> </u>	<u>1,500,000</u>	<u>1,500,000</u>
Net changes in fund balances	37,691	1,046,699	1,084,390
FUND BALANCE, APRIL 1, 2006	<u>734,160</u>	<u> </u>	<u>734,160</u>
FUND BALANCE, MARCH 31, 2007	<u>\$ 771,851</u>	<u>\$ 1,046,699</u>	<u>\$ 1,818,550</u>

HARTLAND TOWNSHIP
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS
ALL ENTERPRISE FUNDS
FOR THE YEAR ENDED MARCH 31, 2007

	Water System Fund	Sewage Disposal System Fund	Totals
OPERATING REVENUES			
User charges	\$ 238,095	\$ 568,320	\$ 806,415
Meter sales	<u>14,680</u>		<u>14,680</u>
Total operating revenues	<u>252,775</u>	<u>568,320</u>	<u>821,095</u>
OPERATING EXPENSES			
Expansion projects		5,461,791	5,461,791
Amortization		6,513	6,513
Depreciation	228,209	250,662	478,871
Consulting engineer	142,410	22,368	164,778
Contract services	1,321	774,111	775,432
Meters	15,236		15,236
Legal fees	5,672	453	6,125
Assessments/licenses		3,650	3,650
Audit fees	4,820	5,820	10,640
Repairs and maintenance	430	41,221	41,651
Supplies and postage	1,044	2,952	3,996
Miscellaneous	1,920	1,923	3,843
Insurance	6,826	23,223	30,049
Wages and payroll taxes	<u>26,104</u>	<u>51,811</u>	<u>77,915</u>
Total operating expenses	<u>433,992</u>	<u>6,646,498</u>	<u>7,080,490</u>
Operating income (loss)	<u>(181,217)</u>	<u>(6,078,178)</u>	<u>(6,259,395)</u>
NON-OPERATING REVENUES AND (EXPENSES)			
Loss on disposal of assets		(9,593,449)	(9,593,449)
Interest income - special assessments	358,041	747,404	1,105,445
Interest income - cash and cash equivalents	83,435	280,164	363,599
Amortization - bond fees	(6,995)	(800)	(7,795)
Rental and other income		39,650	39,650
Interest expense	<u>(318,220)</u>	<u>(1,195,731)</u>	<u>(1,513,951)</u>
Total non-operating revenues (expenses)	<u>116,261</u>	<u>(9,722,762)</u>	<u>(9,606,501)</u>
Net income (loss) before capital contributions	<u>(64,956)</u>	<u>(15,800,940)</u>	<u>(15,865,896)</u>
CAPITAL CONTRIBUTIONS			
Special assessments levied		245,660	245,660
Tap-in fees	<u>127,400</u>	<u>2,095,215</u>	<u>2,222,615</u>
Total capital contributions	<u>127,400</u>	<u>2,340,875</u>	<u>2,468,275</u>
Net income (loss)	62,444	(13,460,065)	(13,397,621)
RETAINED EARNINGS AT APRIL 1, 2006	<u>9,867,862</u>	<u>14,754,612</u>	<u>24,622,474</u>
RETAINED EARNINGS AT MARCH 31, 2007	<u>\$ 9,930,306</u>	<u>\$ 1,294,547</u>	<u>\$ 11,224,853</u>

HARTLAND TOWNSHIP
COMBING STATEMENT OF CASH FLOWS
ALL ENTERPRISE FUNDS
FOR THE YEAR ENDED MARCH 31, 2007

	Water System Fund	Sewage Disposal System Fund	Totals
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES			
Cash from users	\$ 233,147	\$ 529,956	\$ 763,103
Cash paid to vendors	(176,816)	(800,828)	(977,644)
Cash paid to employees	(24,195)	(51,722)	(75,917)
Other cash receipts		39,650	39,650
Cash paid to other funds		(6,559)	(6,559)
	<u>32,136</u>	<u>(289,503)</u>	<u>(257,367)</u>
Net cash from (used in) operating activities			
CASH FLOWS FROM (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES			
Connection fees received	127,400	532,057	659,457
Special assessment collections	491,058	1,010,454	1,501,512
Interest received on assessments	358,041	747,404	1,105,445
Repayment of principal on bonds	(450,000)	(455,000)	(905,000)
Interest paid on bonds	(327,025)	(1,195,731)	(1,522,756)
Bond fees paid		(800)	(800)
	<u>199,474</u>	<u>638,384</u>	<u>837,858</u>
Net cash from (used in) capital and related financing activities			
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	<u>83,435</u>	<u>280,164</u>	<u>363,599</u>
Net increase in cash and cash equivalents	315,045	629,045	944,090
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,102,145</u>	<u>6,474,512</u>	<u>8,576,657</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,417,190</u>	<u>\$ 7,103,557</u>	<u>\$ 9,520,747</u>

INDIVIDUAL
FUNDS

GENERAL
FUND

HARTLAND TOWNSHIP
GENERAL FUND
BALANCE SHEET
MARCH 31, 2007

ASSETS

ASSETS

Cash and investments	\$ 2,223,155
Taxes receivable	37,641
Accounts receivable - state shared revenues	122,814
Due from other funds	56,517
Due from county	<u>12,800</u>
Total assets	<u>\$ 2,452,927</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$ 116,553
Accrued payroll	10,745
Payroll taxes payable	810
Accrued compensated absences	13,067
Due to other funds	9,666
Compliance reserves	<u>55,082</u>

Total liabilities \$ 205,923

FUND BALANCE 2,247,004

Total liabilities and fund balance \$ 2,452,927

HARTLAND TOWNSHIP
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2007

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Taxes	\$	\$ 527,460	\$
Licenses and permits		20,567	
State shared revenues		747,783	
Charges for services		277,787	
Miscellaneous revenues		<u>230,855</u>	
Total revenues	1,683,626	1,804,452	120,826
EXPENDITURES	<u>1,843,792</u>	<u>1,627,947</u>	<u>215,845</u>
Excess of revenues over (under) expenditures	(160,166)	176,505	336,671
OTHER FINANCING SOURCES (USES)			
Transfers in	150,000	250,000	100,000
Transfers (out)	<u>(15,000)</u>	<u>(57,068)</u>	<u>(42,068)</u>
Total other financing sources (uses)	<u>135,000</u>	<u>192,932</u>	<u>57,932</u>
Net change in fund balance	(25,166)	369,437	394,603
FUND BALANCE, APRIL 1, 2006	<u>1,877,567</u>	<u>1,877,567</u>	
FUND BALANCE, MARCH 31, 2007	<u>\$ 1,852,401</u>	<u>\$ 2,247,004</u>	<u>\$ 394,603</u>

HARTLAND TOWNSHIP
GENERAL FUND
STATEMENT OF REVENUES - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2007

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
TAXES			
Current property taxes	\$ 511,470	\$ 527,460	\$ 15,990
LICENSES AND PERMITS			
Mobile home		2,664	
Dog licenses		1,103	
Land use		7,770	
Sign permits, licenses		9,030	
Total licenses and permits	<u>25,705</u>	<u>20,567</u>	<u>(5,138)</u>
STATE SHARED REVENUES	<u>768,791</u>	<u>747,783</u>	<u>(21,008)</u>
CHARGES FOR SERVICES			
Right of way fees		9,465	
Tax administration fee		212,216	
Zoning fees		34,235	
Tax collections fees		19,071	
Board of appeals		2,800	
Total charges for services	<u>254,460</u>	<u>277,787</u>	<u>23,327</u>
MISCELLANEOUS REVENUES			
Grant - state		23,774	
Printed material		3,580	
Passport fees		11,190	
Fines		400	
Interest on investments		156,118	
Reimbursements		8,767	
Rental income		26,400	
Sale of assets		613	
Miscellaneous		13	
Total miscellaneous revenues	<u>123,200</u>	<u>230,855</u>	<u>107,655</u>
Total revenues	<u>\$ 1,683,626</u>	<u>\$ 1,804,452</u>	<u>\$ 120,826</u>

HARTLAND TOWNSHIP
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2007

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
TOWNSHIP BOARD			
Trustee fees	\$	\$ 19,255	\$
Retirement		6,250	
Taxes - payroll		1,473	
Supplies and postage		465	
Contracted services		6,060	
Audit		8,700	
Legal		212,916	
Membership and dues		9,699	
Mileage		864	
Bank charges		5,594	
Training		1,554	
Printing and publications		6,581	
	<u>326,930</u>	<u>279,411</u>	<u>47,519</u>
Total township board			
TOWNSHIP MANAGER			
Wages		21,560	
Taxes - payroll		1,501	
Supplies and postage		270	
Contracted services		8,554	
Miscellaneous		500	
Education		2,300	
Capital outlay		1,027	
	<u>70,006</u>	<u>35,712</u>	<u>34,294</u>
Total township manager			
SUPERVISOR			
Supervisor salary		42,421	
Secretary salaries		28,879	
Taxes - payroll		5,569	
Supplies and postage		563	
Contracted labor		1,888	
Mileage		126	
	<u>80,879</u>	<u>79,446</u>	<u>1,433</u>
Total supervisor			
ELECTIONS			
Wages and fees		16,104	
Taxes - payroll		243	
Supplies and postage		5,228	
Contracted services		2,861	
Capital outlay		3,370	
Miscellaneous		1,849	
	<u>38,200</u>	<u>29,655</u>	<u>8,545</u>
Total elections			

HARTLAND TOWNSHIP
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL (continued)
FOR THE YEAR ENDED MARCH 31, 2007

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
FINANCE DEPARTMENT			
Salary		52,616	
Taxes - payroll		3,875	
Mileage		57	
Supplies		554	
Membership and dues		70	
Education		165	
		<u>165</u>	
Total finance department	<u>57,764</u>	<u>57,337</u>	<u>427</u>
MID-DECADE CENSUS			
Wages		18,816	
Taxes - payroll		1,427	
Supplies and postage		816	
Mileage		1,999	
Printing and publications		340	
		<u>340</u>	
Total mid-decade census	<u>28,614</u>	<u>23,398</u>	<u>5,216</u>
ASSESSOR			
Salaries and wages		59,834	
Taxes - payroll		4,308	
Supplies and postage		1,501	
Contracted services		43,855	
Printing and publications		718	
Membership and dues		245	
Tax preparation		2,611	
Mileage		564	
Repairs and maintenance		90	
Miscellaneous		44	
		<u>44</u>	
Total assessor	<u>137,074</u>	<u>113,770</u>	<u>23,304</u>
CLERK			
Clerk salary		42,421	
Other - clerical salary		34,259	
Taxes - payroll		5,825	
Supplies and postage		625	
Contracted services		257	
Mileage		834	
Membership and dues		295	
Education		1,860	
Printing and publications		1,728	
		<u>1,728</u>	
Total clerk	<u>84,517</u>	<u>88,104</u>	<u>(3,587)</u>

HARTLAND TOWNSHIP
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL (continued)
FOR THE YEAR ENDED MARCH 31, 2007

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
BOARD OF REVIEW			
Fees		1,260	
Taxes - payroll		96	
Printing and publications		273	
Miscellaneous		<u>23</u>	
Total board of review	<u>1,815</u>	<u>1,652</u>	<u>163</u>
TREASURER			
Treasurer salary		40,221	
Assistant wages		41,438	
Taxes - payroll		5,982	
Supplies and postage		1,358	
Tax statement preparation		9,079	
Mileage		763	
Membership and dues		255	
Education and training		1,606	
Repairs and maintenance		95	
Capital outlay		<u>1,595</u>	
Total treasurer	<u>104,496</u>	<u>102,392</u>	<u>2,104</u>
DATA PROCESSING			
Internet access		3,135	
Contracted services		2,160	
Repairs and maintenance		7,140	
Supplies		<u>245</u>	
Total data processing	<u>16,650</u>	<u>12,680</u>	<u>3,970</u>
TOWNSHIP HALL AND GROUNDS			
Contracted services		2,136	
Supplies		2,170	
Snow removal and mowing		10,630	
Contract cleaning		3,675	
Telephone		7,699	
Fuel and oil		150	
Utilities			
Gas		2,136	
Electric		12,584	
Softener		539	
Repairs and maintenance		8,878	
Assessments		1,443	
New Township hall			
Contracted services		23,821	
Printing and publications		291	
Capital outlay		50,835	
Miscellaneous		<u>9</u>	
Total township hall and grounds	<u>149,000</u>	<u>126,996</u>	<u>22,004</u>

HARTLAND TOWNSHIP
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL (continued)
FOR THE YEAR ENDED MARCH 31, 2007

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
UNALLOCATED			
Employee benefits		55,126	
Retirement		11,265	
Office supplies and postage		3,409	
Tax chargebacks		696	
Mileage		30	
Printing and publications		48	
Insurance and bonds		29,137	
Service contracts		8,108	
Miss Dig		1,620	
Miscellaneous		15	
Repairs and maintenance		2,124	
	<u>141,955</u>	<u>111,578</u>	<u>30,377</u>
Total unallocated			
LAW ENFORCEMENT			
Livingston County Sheriff Contract		132,193	
Sub-station rental		1,800	
	<u>141,800</u>	<u>133,993</u>	<u>7,807</u>
Total law enforcement			
PLANNING AND ZONING			
Wages		123,383	
Taxes - payroll		9,288	
Supplies and postage		2,451	
Contract services		98,310	
Membership and dues		395	
Mileage		1,476	
Printing and publications		13,391	
Repairs and maintenance		77	
Capital outlay		508	
Education		85	
Consulting engineers		6,015	
Legal fees		25,160	
	<u>255,397</u>	<u>280,539</u>	<u>(25,142)</u>
Total planning and zoning			
ZONING BOARD OF APPEALS			
Fees and wages		1,512	
Taxes - payroll		116	
Supplies and postage		675	
Printing		1,028	
	<u>5,530</u>	<u>3,331</u>	<u>2,199</u>
Total zoning board of appeals			

HARTLAND TOWNSHIP
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL (continued)
FOR THE YEAR ENDED MARCH 31, 2007

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
STREET LIGHTS	<u>12,500</u>	<u>12,491</u>	<u>9</u>
ROADS			
Improvements		43,468	
Chloride		<u>37,305</u>	
Total roads	<u>75,000</u>	<u>80,773</u>	<u>(5,773)</u>
DRAINS	<u>37,865</u>	<u>18,952</u>	<u>18,913</u>
SENIOR CITIZENS	<u>19,800</u>	<u>19,800</u>	
PARKS AND RECREATION			
Contracted services		14,087	
Capital outlay - fields		<u>1,850</u>	
Total parks and recreation	<u>58,000</u>	<u>15,937</u>	<u>42,063</u>
Total expenditures	<u>\$ 1,843,792</u>	<u>\$ 1,627,947</u>	<u>\$ 215,845</u>

LIQUOR
LAW
ENFORCEMENT
FUND

HARTLAND TOWNSHIP
LIQUOR LAW ENFORCEMENT FUND
BALANCE SHEET
MARCH 31, 2007

ASSET

ASSET
Cash

\$ 28,382

FUND BALANCE

FUND BALANCE

\$ 28,382

HARTLAND TOWNSHIP
LIQUOR LAW ENFORCEMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2007

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Liquor license fees	\$	\$ 6,135	\$
Interest		<u>1,258</u>	
Total revenues	<u>7,000</u>	<u>7,393</u>	<u>393</u>
EXPENDITURES			
Legal fees		964	
Inspection fees		1,830	
Taxes - payroll		<u>140</u>	
Total expenditures	<u>1,970</u>	<u>2,934</u>	<u>(964)</u>
Net change in fund balance	5,030	4,457	
FUND BALANCE, APRIL 1, 2006	<u>23,923</u>	<u>23,923</u>	
FUND BALANCE, MARCH 31, 2007	<u>\$ 28,953</u>	<u>\$ 28,382</u>	<u>\$ (571)</u>

FIRE
OPERATING
FUND

HARTLAND TOWNSHIP
FIRE OPERATING FUND
BALANCE SHEET
MARCH 31, 2007

ASSETS

ASSETS

Cash	\$ 1,717,621
Taxes receivable	84,288
Interest receivable	7,203
Due from fire authority members	<u>88,023</u>

Total assets

\$ 1,897,135

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$ 14,100
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FUND BALANCE

1,883,035

Total liabilities and fund balance

\$ 1,897,135

HARTLAND TOWNSHIP
FIRE OPERATING FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2007

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Taxes	\$	\$ 1,239,571	\$
Interest		<u>53,645</u>	
Total revenues	<u>1,227,600</u>	<u>1,293,216</u>	<u>65,616</u>
EXPENDITURES			
Audit fees		800	
Authority contributions		714,761	
Tax chargebacks		5	
Supplies		3	
Maintenance		4,792	
Legal fees		30,557	
Capital outlay		43,920	
Note payable - principal		93,606	
Note payable - interest		57,940	
Utility/assessments		<u>1,477</u>	
Total expenditures	<u>928,298</u>	<u>947,861</u>	<u>(19,563)</u>
Net change in fund balance	299,302	345,355	46,053
FUND BALANCE, APRIL 1, 2006	<u>1,537,680</u>	<u>1,537,680</u>	
FUND BALANCE, MARCH 31, 2007	<u>\$ 1,836,982</u>	<u>\$ 1,883,035</u>	<u>\$ 46,053</u>

CABLE
TELEVISION
FUND

HARTLAND TOWNSHIP
CABLE TELEVISION FUND
BALANCE SHEET
MARCH 31, 2007

ASSETS

ASSETS

Cash	\$ 276,695
Fees receivable	24,087
Interest receivable	<u>2,341</u>

Total assets	<u>\$ 303,123</u>
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LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$ 13,814
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FUND BALANCE

<u>289,309</u>

Total liabilities and fund balance	<u>\$ 303,123</u>
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HARTLAND TOWNSHIP
CABLE TELEVISION FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2007

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Fees	\$	\$ 96,389	\$
Interest		<u>12,929</u>	
Total revenues	<u>92,520</u>	<u>109,318</u>	<u>16,798</u>
EXPENDITURES			
Salaries		9,384	
Taxes - payroll		1,039	
Employee benefits		10,333	
Fees		3,290	
Legal fees		15,100	
Supplies - postage		117	
Supplies - operating		230	
Rent		11,000	
Miscellaneous		111	
Education		314	
Telephone		509	
Insurance		<u>299</u>	
Total expenditures	<u>102,127</u>	<u>51,726</u>	<u>50,401</u>
Net change in fund balance	(9,607)	57,592	67,199
FUND BALANCE, APRIL 1, 2006	<u>231,717</u>	<u>231,717</u>	
FUND BALANCE, MARCH 31, 2007	<u>\$ 222,110</u>	<u>\$ 289,309</u>	<u>\$ 67,199</u>

CEMETERY
FUND

HARTLAND TOWNSHIP
CEMETERY FUND
BALANCE SHEET
MARCH 31, 2007

ASSETS

UNRESTRICTED ASSETS

Cash		\$ 2,542
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RESTRICTED ASSETS

Cash		
Crouse	\$ 39,856	
George T. Arthur Trust	56,071	
Perpetual care	<u>18,988</u>	

Total restricted assets		<u>114,915</u>
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Total assets		<u>\$ 117,457</u>
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LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable		\$ 9
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FUND BALANCE

	<u>117,448</u>
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Total liabilities and fund balance		<u>\$ 117,457</u>
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HARTLAND TOWNSHIP
CEMETERY FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2007

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Interest	\$	\$ 5,727	\$
Sale of cemetery lots		<u>3,860</u>	
Total revenues	6,100	9,587	3,487
EXPENDITURES			
Maintenance of cemeteries	<u>29,056</u>	<u>18,931</u>	<u>10,125</u>
Excess of revenues over (under) expenditures	(22,956)	(9,344)	13,612
OTHER FINANCING SOURCES			
Transfers in	<u>15,000</u>		<u>(15,000)</u>
Net change in fund balance	(7,956)	(9,344)	(1,388)
FUND BALANCE, APRIL 1, 2006	<u>126,792</u>	<u>126,792</u>	
FUND BALANCE, MARCH 31, 2007	<u>\$ 118,836</u>	<u>\$ 117,448</u>	<u>\$ (1,388)</u>

TOWNSHIP
IMPROVEMENT
REVOLVING
FUND

HARTLAND TOWNSHIP
TOWNSHIP IMPROVEMENT REVOLVING FUND
BALANCE SHEET
MARCH 31, 2007

	<u>ASSET</u>	
ASSETS		
Cash		\$ <u>830,933</u>

	<u>FUND BALANCE</u>	
FUND BALANCE		\$ <u>830,933</u>

HARTLAND TOWNSHIP
TOWNSHIP IMPROVEMENT REVOLVING FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED MARCH 31, 2007

REVENUES	
Interest	\$ 40,754
EXPENDITURES	<u> </u>
Excess of revenues over (under) expenditures	40,754
OTHER FINANCING (SOURCE)	
Transfer (out)	<u>(250,000)</u>
Net change in fund balance	(209,246)
FUND BALANCE, APRIL 1, 2006	<u>1,040,179</u>
FUND BALANCE, MARCH 31, 2007	<u><u>\$ 830,933</u></u>

TOWNSHIP HALL
DEBT
SERVICE
FUND

HARTLAND TOWNSHIP
TOWNSHIP HALL DEBT SERVICE FUND
BALANCE SHEET
MARCH 31, 2007

	<u>ASSET</u>	
ASSETS		
Cash		\$ <u>23</u>

	<u>FUND BALANCE</u>	
FUND BALANCE		\$ <u>23</u>

HARTLAND TOWNSHIP
TOWNSHIP HALL DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED MARCH 31, 2007

REVENUES		
Interest		\$ 23
EXPENDITURES		
Loan - principal	\$ 29,662	
Loan - interest	<u>27,406</u>	
Total expenditures		<u>57,068</u>
Excess of revenues over (under) expenditures		(57,045)
OTHER FINANCING SOURCES		
Transfer in		<u>57,068</u>
Net change in fund balance		23
FUND BALANCE, APRIL 1, 2006		<u> </u>
FUND BALANCE, MARCH 31, 2007		<u><u>\$ 23</u></u>

CAPITAL IMPROVEMENT
FUND

HARTLAND TOWNSHIP
CAPITAL IMPROVEMENT FUND
BALANCE SHEET
MARCH 31, 2007

ASSETS

ASSETS
Cash

\$ 771,851

FUND BALANCE

FUND BALANCE

\$ 771,851

HARTLAND TOWNSHIP
CAPITAL IMPROVEMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED MARCH 31, 2007

REVENUES	
Interest	\$ 37,691
EXPENDITURES	<hr/>
Net change in fund balance	37,691
FUND BALANCE, APRIL 1, 2006	<hr/> 734,160
FUND BALANCE, MARCH 31, 2007	<hr/> <u>\$ 771,851</u>

TOWNSHIP HALL
CONSTRUCTION
FUND

HARTLAND TOWNSHIP
TOWNSHIP HALL CONSTRUCTION FUND
BALANCE SHEET
MARCH 31, 2007

ASSETS

ASSETS
Cash

\$ 1,046,699

FUND BALANCE

FUND BALANCE

\$ 1,046,699

HARTLAND TOWNSHIP
TOWNSHIP HALL CONSTRUCTION FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED MARCH 31, 2007

REVENUES	
Interest	\$ 28,287
EXPENDITURES	
Capital outlay - construction	<u>481,588</u>
Revenues over (under) expenditures	(453,301)
OTHER FINANCING SOURCES	
Loan proceeds	<u>1,500,000</u>
Net change in fund balance	1,046,699
FUND BALANCE, APRIL 1, 2006	<u> </u>
FUND BALANCE, MARCH 31, 2007	<u><u>\$ 1,046,699</u></u>

WATER
SYSTEM
FUND

HARTLAND TOWNSHIP
WATER SYSTEM FUND
BALANCE SHEET
MARCH 31, 2007

ASSETS

CURRENT ASSETS

Cash	\$	882,079	
Accounts receivable - billings		68,555	
Due from other funds		3,959	
Inventory		<u>32,345</u>	
Total current assets			\$ 986,938

RESTRICTED ASSETS

Cash		1,535,111	
Special assessment receivable - deferred		6,131,928	
Bond fees - net of amortization		<u>95,760</u>	
Total restricted assets			7,762,799

PROPERTY, PLANT AND EQUIPMENT

Land		300,000	
Equipment		2,586	
Water system		<u>9,107,681</u>	
		9,410,267	
Less accumulated depreciation		<u>(1,146,147)</u>	
Net property, plant and equipment			<u>8,264,120</u>
Total assets			<u>\$ 17,013,857</u>

LIABILITIES AND FUND EQUITY

CURRENT LIABILITIES

Accounts payable	\$ 26,091
Accrued interest payable	131,880
Accrued wages/taxes	<u>580</u>

Total current liabilities		\$ 158,551
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CURRENT LIABILITIES (from restricted assets)

Current portion of long term debt - bonds payable		450,000
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LONG-TERM LIABILITIES (from restricted assets)

Bonds payable after one year		<u>6,475,000</u>
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Total liabilities		7,083,551
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FUND EQUITY

Retained earnings		<u>9,930,306</u>
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Total liabilities and fund equity		<u>\$ 17,013,857</u>
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HARTLAND TOWNSHIP
WATER SYSTEM FUND
STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED MARCH 31, 2007

OPERATING REVENUES

User charges	\$ 238,095	
Meter sales	<u>14,680</u>	

		\$ 252,775
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OPERATING EXPENSES

Depreciation	228,209	
Contracted services	1,321	
Engineering services	142,410	
Legal fees	5,672	
Audit fees	4,820	
Repair and maintenance	430	
Payroll taxes	1,791	
Insurance	6,826	
Meters	15,236	
Supplies and postage	536	
Dues	162	
Miscellaneous	1,758	
Small equipment	508	
Wages	<u>24,313</u>	

Total operating expenses		<u>433,992</u>
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Operating (loss)		(181,217)
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NON-OPERATING REVENUES (EXPENSES)

Interest income - special assessments	358,041	
Interest income - cash	83,435	
Interest expense	(318,220)	
Amortization- bond fees	(6,720)	
Other (expenses)	<u>(275)</u>	

Total non-operating revenues		116,261
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CAPITAL CONTRIBUTIONS

Connection fees		<u>127,400</u>
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Net income		<u>\$ 62,444</u>
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HARTLAND TOWNSHIP
WATER SYSTEM FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2007

CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES

Cash from users	\$ 233,147
Cash paid to vendors	(176,816)
Cash paid to employees	<u>(24,195)</u>

Net cash from operating activities \$ 32,136

CASH FLOWS FROM (USED IN) CAPITAL AND RELATED
FINANCING ACTIVITIES

Connection fees received	127,400
Special assessment collections	491,058
Interest received on assessments	358,041
Repayment of principal on bonds	(450,000)
Interest paid on bonds	<u>(347,025)</u>

Net cash from capital and related
financing activities 199,474

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	<u>83,435</u>
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Net increase in cash and cash equivalents 315,045

CASH AND CASH EQUIVALENTS AT APRIL 1, 2006 2,102,145

CASH AND CASH EQUIVALENTS AT MARCH 31, 2007 \$ 2,417,190

RECONCILIATION OF OPERATING (LOSS) TO NET CASH
PROVIDED FROM OPERATING ACTIVITIES

Operating (loss)	\$ (181,217)
Adjustments to reconcile operating (loss) to net cash provided by operating activities	
Depreciation	\$ 228,209
Changes in asset and liabilities:	
(Increase) in accounts receivable	(19,628)
(Increase) in inventory	(3,463)
(Decrease) in accounts payable/accrued expenses	<u>8,235</u>

Total adjustments 213,353

Net cash provided from operating activities \$ 32,136

SEWAGE
DISPOSAL
SYSTEM
FUND

HARTLAND TOWNSHIP
SEWAGE DISPOSAL SYSTEM FUND
BALANCE SHEET
MARCH 31, 2007

ASSETS

CURRENT ASSETS

Cash	\$ 1,246,752	
Accounts receivable - billings	192,936	
Due from other funds	12,666	
Accounts receivable - connection fees	<u>1,563,158</u>	
Total current assets		\$ 3,015,512

RESTRICTED ASSETS

Cash	5,856,805	
Special assessment receivable	15,457,522	
Due from county - construction funds	2,278,542	
Bond issuance costs - net of amortization of \$10,855	<u>151,970</u>	
Total restricted assets		23,744,839

PROPERTY, PLANT AND EQUIPMENT

Land		<u>1,247,230</u>
Total assets		<u>\$ 28,007,581</u>

LIABILITIES AND FUND EQUITY

CURRENT LIABILITIES

Accounts payable	\$ 833,721	
Accrued payroll/taxes	565	
Due to other funds	<u>8,307</u>	
Total current liabilities		\$ 842,593

CURRENT LIABILITIES (from restricted assets)

Contract payable - Livingston Country Drain		
Commission - sewer expansion/projects		1,265,000

LONG-TERM LIABILITIES (from restricted assets)

Contract payable - Livingston County Drain		
Commission - sewer expansion and branches		<u>24,605,441</u>
Total liabilities		26,713,034

FUND EQUITY

Retained earnings		<u>1,294,547</u>
Total liabilities and fund equity		<u>\$ 28,007,581</u>

HARTLAND TOWNSHIP
SEWAGE DISPOSAL SYSTEM FUND
STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED MARCH 31, 2007

OPERATING REVENUES

User charges	\$	568,320
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OPERATING EXPENSES

Registrations/permits	\$	3,650
Audit fees		5,820
Consulting engineer		22,368
Contract services		774,111
Insurance		23,223
Depreciation		250,662
Amortization		6,513
Expansion project - county		5,461,791
Legal fees		453
Miscellaneous		1,923
Repair and maintenance		41,221
Supplies and postage		2,952
Salary and payroll taxes		<u>51,811</u>

Total operating expenses		<u>6,646,498</u>
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Operating (loss)		(6,078,178)
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NON-OPERATING REVENUES (EXPENSES)

Interest income - special assessments		747,404
Interest income - cash		280,164
Bond fees		(800)
Rental income		39,650
Interest expense		(1,195,731)
Loss on disposal of assets		<u>(9,593,449)</u>

Total non-operating revenues (expenses)		(9,722,762)
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CAPITAL CONTRIBUTIONS

Special assessments levied		245,660
Connection fees		<u>2,095,215</u>

Total capital contributions		<u>2,340,875</u>
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Net (loss)	\$	<u>(13,460,065)</u>
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HARTLAND TOWNSHIP
SEWAGE DISPOSAL SYSTEM FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2007

CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES

Cash from users	\$ 529,956	
Cash paid to vendors	(800,828)	
Cash paid to employees	(51,722)	
Cash received for rents	39,650	
Cash paid to other funds	<u>(6,559)</u>	
Net cash (used in) operating activities		\$ (289,503)

CASH FLOWS FROM (USED IN) CAPITAL AND RELATED
FINANCING ACTIVITIES

Special assessment collections	1,010,454	
Interest received on assessments	747,404	
Repayment of principal on bonds	(455,000)	
Interest paid on bonds	(1,195,731)	
Bond fees paid	(800)	
Tap fees received	<u>532,057</u>	
Net cash from capital and related financing activities		638,384

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	<u>280,164</u>	
Net increase in cash and cash equivalents		629,045

CASH AND CASH EQUIVALENTS AT APRIL 1, 2006	<u>6,474,512</u>
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CASH AND CASH EQUIVALENTS AT MARCH 31, 2007	<u><u>\$ 7,103,557</u></u>
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RECONCILIATION OF OPERATING (LOSS) TO NET CASH
(USED IN) OPERATING ACTIVITIES

Operating (loss)		\$ (6,078,178)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities:		
Depreciation/amortization	\$ 257,175	
Rental income	39,650	
Changes in assets and liabilities:		
(Increase) in accounts receivable - billings	(38,364)	
(Increase) in due from other funds	(12,666)	
Increase in due from county construction funds	4,760,016	
Increase in accounts payable/accrued expense	776,757	
Increase in due to other funds	<u>6,107</u>	
Total adjustments		<u>5,788,675</u>
Net cash (used in) operating activities		<u><u>\$ (289,503)</u></u>

CURRENT
TAX
COLLECTION
FUND

HARTLAND TOWNSHIP
CURRENT TAX COLLECTION FUND
BALANCE SHEET
MARCH 31, 2007

ASSETS

ASSETS
Cash

\$ 44,433

LIABILITIES

LIABILITIES
Due to general fund

\$ 44,433

TRUST
AND
AGENCY
FUND

HARTLAND TOWNSHIP
TRUST AND AGENCY FUND
BALANCE SHEET
MARCH 31, 2007

ASSETS

ASSETS
Cash

\$ 224,752

LIABILITIES

LIABILITIES

Due to other funds
Due to others

\$ 10,736
214,016

Total liabilities

\$ 224,752

HARTLAND TOWNSHIP

COMMENTS
AND
RECOMMENDATIONS

FOR THE YEAR ENDED MARCH 31, 2007



PFEFFER ■ HANNIFORD ■ PALKA
Certified Public Accountants

John M. Pfeffer, C.P.A.
Patrick M. Hanniford, C.P.A.
Kenneth J. Palka, C.P.A.

Members:
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MACPA

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(810) 229-5550
FAX (810) 229-5578

August 9, 2007

Board of Trustees
Hartland Township
3191 Hartland Road
Hartland, Michigan 48353

Honorable Board of Trustees:

In planning and performing our audit of the financial statements of Hartland Township for the year ended March 31, 2007, we considered the Township's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. Those matters are as follows:

1. COMMENT

Amounts held in Trust and Agency Fund were not reconciled to the general ledger. Individual escrow accounts held for developers were not being maintained regularly. Charges to individual escrow accounts exceeded deposits by the developers in several escrow accounts.

RECOMMENDATION

Monies in this fund must be reconciled regularly to reflect balances held by developers for various projects. This fund should be reconciled to the general ledger on a monthly basis. Charges to developer escrow accounts (projects) should not exceed deposits.

2. COMMENT

Special assessment activity was not reconciled regularly to the general ledger.

RECOMMENDATION

The detailed special assessment balances should be reconciled regularly to the general ledger by the accountant.

3. COMMENT

Accounts receivable, utility billings and water usage were not being reconciled to the general ledger.

RECOMMENDATION

Detailed billing registers and outstanding balance reports need to be maintained and periodically reconciled to the general ledger. The accountant should reconcile usage with billings on a regular basis, and identify sales of consumption in excess of billings.

4. COMMENT

For the year ended March 31, 2007, we found instances where expenditures exceeded budget appropriations. A budget was not prepared for the Public Improvement Revolving Fund which is a violation of Public Act 493 of 2000.

RECOMMENDATION

Before an actual expenditure exceeds the appropriated budget, the budget should be amended. Budgets must be approved for all Special Revenue Funds.

5. COMMENT

Interfund receivables and payables were not paid from the prior year.

RECOMMENDATION

Interfund balances should be paid off annually.

6. COMMENT

Invoices paid by the Township should be evaluated to determine if payment should be made. An instance was noted where there was no detail supporting the payment.

RECOMMENDATION

The Township should designate an individual(s) to review all invoices and sign the invoices to be proposed for payment by the Township Board, and documentation should be kept with check copies.

7. COMMENT

Documentation in personnel files were lacking detail in some instances.

RECOMMENDATION

A policy should be adopted on what items should be included in personnel files.

8. COMMENT

Bank accounts are not being reconciled timely to the general ledger by the accountant.

RECOMMENDATION

The reconciliations are required by the State of Michigan to be performed monthly. Also, bank reconciliations should only list outstanding checks or deposits in transit. Interfund activities must be booked separately in the accounting system to ensure they are paid back timely.

9. COMMENT

The special assessment levied to finance the new wastewater collection system is considerably less than the outstanding debt owed by the Township to the bondholders.

RECOMMENDATION

The Township should evaluate its ability to fulfill its debt service requirements. This could be accomplished by adding new users or reviewing sewer rates.

This letter does not affect our report dated August 9, 2007 on the financial statements of Hartland Township.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and recommendations with various township personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of the Board of Trustees, and management of Hartland Township.

Pfeffer, Hanniford & Palka, P.C.

PFEFFER, HANNIFORD & PALKA
Certified Public Accountants